Exhibit C

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

Commission File Number 0-22999

Tarragon Corporation
(Exact name of registrant as specified in its charter)

Nevada	94-2432628
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1775 Broadway, 23rd Floor, New York, NY	10019
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (212) 949-5000

Securities registered pursuant to Section 12 (b) of the Act: None

Securities registered pursuant to Section 12 (g) of the Act:
Common Stock, $.01 par value
(Title of class)

10% Cumulative Preferred Stock, $.01 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☑ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☑ No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. ☐ Yes ☑ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☑ No

The aggregate market value of the shares of voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the price of the last trade as reported by the National Association of Securities Dealers Automated Quotation System as of June 30, 2005 (the last business day of registrant's most recently completed second fiscal quarter)

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housing project in a separate joint venture with Frank Raia. The first apartments in 1118 Adams were completed and leased in December 2005.

Division Management

Robert Rohdie, who has 35 years in the residential construction industry and has built over 25,000 multi-family homes in his career, heads the Homebuilding Division management team. The Homebuilding Division is divided into two regions — the Northeast and the Southeast, and each region has a team of developers, engineers and architects, project managers, attorneys, and marketing professionals.

Investment Division

In March 2005, our board of directors announced a plan to divest our Investment Division assets. Through December 31, 2005, we had sold 16 properties with 2,583 apartments and 360,000 square feet of commercial space. At December 31, 2005, our Investment Division portfolio included 8,777 apartments in 40 stabilized communities, including 6,044 apartments owned through an unconsolidated partnership, located primarily in Florida, Connecticut, and Texas. Of these properties, five communities with 948 apartments were held for sale at December 31, 2005. Since 1995, we have developed nearly 5,400 new market-rate apartments in 17 communities for our investment portfolio, and 2,231 of these apartments have been targeted for conversion to condominiums for sale and transferred to the Homebuilding Division. Our Investment Division also included commercial and retail properties with a book value of $52.8 million at December 31, 2005, of which three properties with an aggregate book value of $10.7 million and an aggregate sales price of $16.4 million have been sold or are under contract to be sold in 2006.

Funds generated by the operation, sale, or refinancing of our Investment Division portfolio have been used to finance the expansion of our homebuilding operations and, to a much lesser extent, to enhance the value of our investment portfolio through consistent capital improvements.

Acquisitions and Dispositions

During 2003, 2004, and 2005, we purchased three apartment communities for investment. In 2005, we divested a major portion of our investment portfolio to generate capital to employ in expanding our homebuilding, to reduce debt and to take advantage of favorable prices for investment properties. Please see the discussion under "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS — Consolidated Results of Operations" for information about sales of properties during the past three years.

Property Management

We manage our apartment communities with a focus on adding value. We have implemented programs to optimize revenue generated by our properties, including daily value pricing and lease inventory management. We have also developed programs to enhance ancillary income from cable television, telephone and high-speed internet services, upgraded laundry facilities, and vending machines. We also manage rental properties that are in the process of being converted to condominiums in cooperation with our Homebuilding Division. We will continue to provide management services to the 25 investment properties with 6,044 units owned by Ansonia Apartments, L.P., an unconsolidated partnership. We have also created a new management division to manage residential communities on behalf of condominium associations and to manage investor owned units on behalf of investors.

Eileen Swenson heads the Investment Division. Ms. Swenson, a Certified Property Manager, has been in the northeast multi-family property management industry for over 20 years. The Northeast and Southeast regional

balances.

(5) Variable rate mortgage subject to cap.

(6) Includes mortgages secured by five commercial properties.

(7) Includes a mortgage secured by one commercial property.

(8) Non-recourse structured financing secured by first and second lien mortgages on 23 properties owned by Ansonia Apartments, L.P.

for land development for a mixed use project to include hotels, a golf course, marina, retail and meeting facilities as well as condominiums and townhomes.

Pursuant to a strategic plan to redeploy capital from the Investment Division to Homebuilding announced in March 2005, we divested over 60% of our Investment Division assets in 2005 and expect to divest substantially all of the remaining Investment Division assets in 2006. As a result, revenues, expenses, and cash flows from rental operations declined in 2005 and are expected to decline further in 2006. Cash proceeds from this capital redeployment plan have been and will be used to expand our homebuilding operation, reduce debt, and repurchase common stock. We categorize our Investment Division properties into three groups: non-core properties, core properties, and properties to be held.

Commercial properties and apartment communities located outside of our core markets or that are otherwise inefficient for us to manage were identified as non-core properties. We sold 16 non-core properties with 2,583 apartments and 360,000 square feet of commercial space in 2005. In connection with these sales, we reduced consolidated debt by $77.2 million, generated net cash proceeds of $64.6 million and recognized gains totaling $67.3 million. See discussion below under "Sales of Consolidated Properties." We have classified as held for sale five apartment communities with 948 units and nine commercial properties with 782,000 square feet. These properties are classified as assets held for sale as of December 31, 2005, and their operating results are presented in discontinued operations in the Consolidated Statements of Income for the years ended December 31, 2005, 2004, and 2003. We currently have three apartment communities with 460 units under contract of sale for an aggregate $28.2 million and sold one 184-unit apartment community for $16.4 million in January 2006. We also have three commercial properties with 282,000 square feet under contract for an aggregate sale price of $14.6 million and sold one commercial property with 63,000 square feet for $4.7 million in February 2006. Non-core properties also include eight apartment communities with 1,585 units we plan to sell or contribute to an unconsolidated joint venture in which we will retain an interest. Although we have not yet implemented a plan of disposal, as defined in SFAS No. 144, and, therefore, have not classified these properties as assets held for sale, we presently intend to dispose of these properties.

Core properties include 25 apartment communities with 6,179 units located in our core markets that we believe have rental growth opportunities and are efficient to manage. In November 2005, we contributed our interests in eleven consolidated properties and three unconsolidated properties to Ansonia Apartments, L.P., an unconsolidated partnership, in exchange for an increased ownership interest in Ansonia. Simultaneously, Ansonia closed a $391 million non-recourse structured financing secured by first and second lien mortgages on 23 of its properties and pledges of equity interests in the property-owning entities. After transaction costs and repayment of existing debt, this financing generated $70 million of net cash proceeds. We received a distribution of $64 million, representing our share of the net proceeds, from Ansonia. This transaction reduced consolidated debt by $172 million and generated income from distributions in excess of our investment in Ansonia of $63 million. We intend to continue to manage and hold an interest in our core properties.

Properties to be held have been identified as those with development or value-added condominium conversion potential or, in the case of Orlando Central Park, because we use one of the buildings for our Orlando regional office. During 2005, nine apartment communities with 2,583 units targeted for condominium conversion were transferred to the Homebuilding Division.

Five of our rental apartment communities located in Florida suffered damage from Hurricane Wilma in October 2005. These five properties are in the Homebuilding Division and undergoing conversion to condominiums. Damage to the properties, primarily consisted of water intrusion or roof damage and damage to landscaping. Total costs to repair or replace this damage is estimated to be approximately $440,000, of which approximately $131,000 has been paid to date. Property maintenance staff, working in conjunction with contractors, have now largely restored the properties to their pre-storm condition.

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Operating Results of Consolidated Rental Properties. At December 31, 2004, our consolidated rental properties included rental communities with 6,796 apartments (excluding 3,399 units sold or in assets held for sale and presented in discontinued operations) and one commercial property with 152,000 square feet (excluding 1.1 million square feet sold or in assets held for sale and presented in discontinued operations). The following tables summarize aggregate property level revenues and expenses for our consolidated rental properties presented in continuing operations for the years ended December 31, 2004 and 2003. The revenue and expenses below exclude management fee and other revenue and interest expense on corporate debt.

	For the Years Ended December 31,		
	2004	2003	Change
Rental revenue	$ 61,573	$ 47,985	$13,588
Property operating expenses	(32,301)	(26,168)	(6,133)
Interest expense	(16,706)	(16,570)	(136)
Depreciation expense	(14,307)	(12,065)	(2,242)
	$ (1,741)	$ (6,818)	$ 5,077

The results of operations of our consolidated rental properties were affected during the periods presented above by:

- the consolidation of four apartment communities in January 2004 in connection with the adoption of the provisions of FIN 46R;
- the acquisition of one apartment community in 2004;
- the effect of three apartment communities undergoing conversion to condominiums for sale; and
- the results of operations of properties in lease-up.

The following tables illustrate the effects of these items on the various components of the results of operations of our consolidated rental properties for the years ended December 31, 2004 and 2003:

	Properties Consolidated in January 2004 (1)	Property Acquired	Condominium Conversions	Properties in Lease-up (2)	Other Changes	Total
Rental revenue	$12,185	$1,017	$(1,491)	$1,860	$ 17	$13,588
Property operating expenses	(5,600)	(674)	941	(585)	(215)	(6,133)
Interest expense	(3,702)	(377)	4,117(3)	(371)	197	(136)
Depreciation expense	(2,971)	(210)	—	(235)	1,174(4)	(2,242)
	$ (88)	$ (244)	$ 3,567	$ 669	$1,173	$ 5,077

(1) Includes four apartment communities owned by joint ventures consolidated on January 1, 2004, in connection with the adoption of the provisions of FIN 46R.

(2) Includes two recently completed properties in lease-up during one or both periods presented.

(3) This decrease in interest expense is the result of prepayment penalties totaling $3.1 million and $241,000 of deferred financing expenses written off upon the repayment of two mortgages secured by Pine Crest Apartments in the first quarter of 2003. The mortgages were repaid in connection with the closing of a $25 million loan to finance the condominium conversion of this property.

(4) This decrease in depreciation expense is primarily due to $1.1 million recorded in the second quarter of 2003 upon the reclassification of two properties to real estate held for investment for the period during which they were classified as held for sale.

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Equity in Income of Unconsolidated Partnerships and Joint Ventures. The following table summarizes the components of equity in income of unconsolidated partnerships and joint ventures for the years ended December 31, 2004 and 2003:

	For the Years Ended December 31,		
	2004	2003	Change
Homebuilding operations			
Homebuilding sales revenue	$ 95,031	$ 97,583	$ (2,552)
Costs of homebuilding sales	(65,681)	(77,381)	11,700
Gross profit from homebuilding sales	29,350	20,202	9,148
Rental property operations			
Rental revenue	35,864	45,886	(10,022)
Property and other operating expenses	(17,212)	(23,737)	6,525
Interest expense	(12,630)	(17,170)	4,540
Depreciation expense	(6,096)	(8,835)	2,739
	1,732	(1,477)	3,209
Discontinued operations	1,456	4,325	(2,869)
Elimination of management and other fees paid to Tarragon	(15,588)	(5,525)	(10,063)
Outside partners' interests in income of joint ventures	5,816	9,120	(3,304)
Distributions in excess of investment	(1,162)	(313)	(849)
Impairment loss	$ 21,530	$ 22,476	$ (946)
Equity in income of partnerships and joint ventures			

Homebuilding operations in 2003 consisted of income from Las Olas River House. Due to the application of FIN 46R, Las Olas was consolidated in January 2004. Homebuilding operations for 2004 were reported by The Grande, a condominium conversion project acquired in September 2004 by Delaney Square, LLC, and XII Hundred Grand and XIII Hundred Grand, two of our Hoboken, New Jersey, projects.

Four rental apartment communities held by variable interest entities were consolidated in 2004 pursuant to FIN 46R. Equity in income of unconsolidated partnerships and joint ventures for 2003 included a loss of $1.4 million, which represented Tarragon's share of the losses reported by these entities during the period the recently completed properties owned by these entities were in lease-up. In 2003, rental revenues for these properties were $9.9 million, and property operating expenses were $6 million.

Distributions in excess of investment are primarily related to distributions of financing proceeds of joint ventures in which we have recovered our investment. In these situations, the joint ventures' debt is non-recourse to Tarragon, and Tarragon has not committed to fund any cash flow deficits of the joint ventures. Income from distributions in excess of investment decreased by $3.3 million for the year ended December 31, 2004 as compared to the same period of 2003. In 2003, Ansonia Apartments, L.P., and Ansonia Liberty, L.L.C., made distributions of proceeds from refinancings totaling $7.6 million. In 2004, Ansonia Apartments, L.P., made distributions of proceeds from financings of $4.4 million.

In the fourth quarter of 2004, Larchmont Associates, L.P., agreed to sell Arbor Glen Apartments for less than its investment in Larchmont, which included $1.3 million of advances made during 2004. Accordingly, we recorded a $1.2 million impairment charge to write down the carrying value of our investment to our share of the estimated net sale proceeds in the fourth quarter of 2004. The sale closed in early 2005.

General and Administrative Expenses. Corporate general and administrative expenses increased $3.2 million for 2004 compared to 2003 primarily due to personnel additions and compensation increases relating to

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TARRAGON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. MINORITY INTERESTS

In February 2000, Tarragon entered into an agreement to acquire the interests of Robert C. Rohdie and certain of his affiliates in ten apartment communities. Simultaneously, he became a member of our board of directors and chief executive officer of Tarragon Development Corporation, a wholly-owned subsidiary of Tarragon. Mr. Rohdie, Tarragon's partner in the development of these projects, contributed his equity interests to Tarragon Development Company, LLC ("TDC"), a newly formed entity, in exchange for a preferred interest in the entity. For five of the ten properties that had been completed as of the date of the agreement, Mr. Rohdie received a preferred interest with a fair value of $5 million. The initial $5 million of purchase consideration was allocated to the five completed properties based upon their relative fair values. In accordance with the terms of the agreement, the purchase of the remaining five properties, which were in various stages of construction or development planning in February 2000, was contingent upon their completion, as defined in the agreement. During 2001, four of the five remaining apartment communities were completed, as defined in the agreement, and Mr. Rohdie received additional preferred interests in TDC with an aggregate fair value approximating $3.8 million. Mr. Rohdie received an additional preferred interest with a fair value of approximately $1.3 million for the final apartment community in May 2003.

Mr. Rohdie's preferred interest earns a guaranteed return. For 80% of the preferred interest, it is a guaranteed fixed return of 5% for the first two years, increasing by 1% per year until it reaches 10% in year seven. The remaining 20% of the preferred interest earns an amount equal to cash dividends payable, if any, on 668,096 shares (adjusted to give effect to the February 2005 three-for-two stock split) of Tarragon common stock. Mr. Rohdie received distributions of $577,722 in 2003, $421,889 in 2004, and $623,556 in 2005 in payment of this guaranteed return.

Mr. Rohdie can convert his preferred interest in TDC into 668,096 shares of our common stock and preferred stock with a face value of up to $8 million and a like dividend to his guaranteed fixed return. If we do not have available a class of preferred stock outstanding at the time of the conversion, or at our discretion, we may pay the cash value of Mr. Rohdie's preferred interest over three years. Beginning in February 2006, Mr. Rohdie may elect to convert his preferred interest into cash, payable over three years. The cash value that would be payable for the conversion of the preferred interest is equal to the sum of (1) the liquidation preference multiplied by the number of shares of preferred stock payable upon conversion (550,000 shares as of December 31, 2005) and (2) the market value of 668,096 shares of our common stock. As of December 31, 2005, the cash value was $20,376,148.

Tarragon is the sole manager of TDC and makes all decisions regarding the operation, management, or control of its business and therefore consolidates this entity. Mr. Rohdie's interest in TDC is presented as a minority interest. The guaranteed fixed return payable to Mr. Rohdie is being recorded based on an annual effective yield of 8.53% and is reflected in "Minority interests in income of consolidated partnerships and joint ventures" in the accompanying Consolidated Statements of Income.

In July 2004, we purchased the $9.5 million preferred interests of the outside partner in Antelope Pines Estates, L.P., and Woodcreek Garden Apartments, L.P. We sold Antelope Pines in December 2004 and Woodcreek Garden in January 2005. In accordance with SFAS No. 144, the operating results of these properties, along with the gains on sale, have been presented in discontinued operations for all periods presented in the accompanying Consolidated Statements of Income. See NOTE 13. "ASSETS HELD FOR SALE."

TARRAGON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2. MINORITY INTERESTS (Continued)

During 2005, we purchased the interests of our outside partners in four separate entities, which were presented as minority interests. In April 2005, we purchased the 30% outside member's interest in Fenwick Tarragon Apartments, L.L.C. for $1 million. In May 2005, we purchased the 30% outside partners' interest in Guardian-Jupiter Partners, Ltd., for $5 million. We purchased the 30% outside member's interest in Summit/Tarragon Murfreesboro, L.L.C. for $1.5 million in September 2005. Lastly, also in September 2005, we purchased the 30% outside member's interest in Lake Sherwood Partners, L.L.C. for $3.4 million. The excess of the aggregate $11.9 million purchase prices over the carrying amounts of the minority interests was capitalized to the basis of the properties.

NOTE 3. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND JOINT VENTURES

Investments in and advances to partnerships and joint ventures consisted of the following at December 31:

		Carrying Amount	
	Profits Interest	2005	2004
801 Pennsylvania Avenue	50%	$ —	$ 30
Ansonia Apartments, L.P. (1)	89%	—	367
Ansonia Liberty, L.L.C. (1)	90%	—	10
Choice Home Financing, L.L.C	50%	425	—
Danforth Apartment Owners, L.L.C. (1), (2)	99%	—	—
Delaney Square, L.L.C	50%	—	5,778
Hoboken joint ventures:			
900 Monroe Street Development, L.L.C	63%	4,134	1,792
Block 106 Development, L.L.C	63%	11,228	—
Block 99/102 Development, L.L.C	55%	15,956	5,622
Block 144 Development, L.L.C	63%	4,026	282
Madison Warehouse Development, L.L.C	63%	10,918	1,975
TDC/Ursa Hoboken Sales Center, L.L.C	48%	1,455	1,140
Thirteenth Street Development, L.L.C	50%	—	12,749
Upper Grand Realty, L.L.C	50%	—	345
Larchmont Associates, L.P. (3)	57%	—	2,026
LOPO, L.P.	50%	6,251	—
Merritt Stratford, L.L.C	50%	256	229
Orchid Grove, L.L.C	50%	2,774	4,646
Orion Towers Tarragon L.L.P.	70%	15,662	2,100
Park Avenue Tarragon, L.L.C	50%	5,456	6,119
Tarragon Calistoga, L.L.C	80%	632	632
Tarragon Savannah I & II, L.L.C. (1), (2)	99%	—	2,232
Vineyard at Eagle Harbor, L.L.C. (2)	99%	—	—
		$ 79,173	$ 48,074

(1) In November 2005, Tarragon contributed its interests in eleven wholly owned properties, (Ansonia Liberty, Danforth Apartments Owners, and Tarragon Savannah I & II) to Ansonia in exchange for an increased interest in Ansonia from 70% to 89.44%.

(2) In November 2005, we acquired the interest of Aetna in these joint ventures. Our interests in Danforth Apartment Owners, L.L.C. and Tarragon Savannah I & II, L.L.C. were contributed to Ansonia Apartments, L.P. Vineyard at Eagle Harbor, L.L.C. is now a consolidated entity.

(3) This partnership's sole asset, Arbor Glen Apartments, was sold in January 2005.

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TARRAGON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND JOINT VENTURES
(Continued)

We exercise significant influence over but hold noncontrolling interests in each of the above partnerships or joint ventures or our outside partners have significant participating rights, as defined in the Financial Accounting Standard Board's Emerging Issues Task Force 96-16 and 04-5 Consensus. Therefore, we account for our investments in these partnerships and joint ventures using the equity method.

Ansonia Apartments, L.P. Our partner in Ansonia Apartments, L.P. ("Ansonia") is Ansonia LLC, the members of which are Robert Rothenberg, Saul Spitz, Eileen Swenson, Richard and Rebecca Frary, and Joel Mael. Messrs. Rothenberg and Spitz and Ms. Swenson became executive officers of Tarragon, and Mr. Rothenberg was appointed to our board of directors, in September 2000. Mr. Frary was appointed as a member of our board of directors in April 2004. Mr. Frary is also a partner in Tarragon Calistoga, L.L.C.

Tarragon's investment in Ansonia was fully recovered in 2002 from distributions to the partners of cash proceeds from property sales, mortgage refinancings, supplemental mortgages, and operations.

Equity in income of partnerships and joint ventures in the accompanying Consolidated Statements of Income includes $64.4 million (including the amount resulting from the financing transaction discussed below) $6.3 million, and $8.2 million, respectively, for the years ended December 31, 2005, 2004, and 2003 of distributions in excess of our share of Ansonia's earnings.

In November 2005, we contributed our interests in eleven consolidated properties and three unconsolidated properties to Ansonia in exchange for an increased ownership interest in Ansonia. The assets and liabilities were recorded on the books of Ansonia at Tarragon's or the previous joint ventures' historical cost basis, and Tarragon recognized no gain or loss on this transaction. Simultaneously, Ansonia closed a $391 million non-recourse structured financing secured by first and second lien mortgages on 23 of its properties and pledges of equity interests in the property-owning entities. After transaction costs and repayment of existing debt, this financing generated $70 million of net cash proceeds. We received a distribution of $64 million from Ansonia, representing our share of the net proceeds, and the balance of the net financing proceeds was distributed to our partners. This transaction reduced consolidated debt by $148 million and generated $60 million in income from distributions in excess of our investment in Ansonia .

Hoboken joint ventures. In November 2004, we entered into an agreement to purchase a portion of one of our partners' interests in various joint venture projects in The Upper Grand neighborhood of Hoboken, New Jersey, for an aggregate purchase price of $15 million. Pursuant to this agreement, we paid $10 million in November 2004 and the balance in February 2005 in exchange for assignments of all of Ursa Development Group, Inc.'s interests in the Block 88 and Adams Street developments, 50% of its interests in the Block 99 development, and 25% of its interests in all other Hoboken joint ventures except Thirteenth Street Development. In connection with this transaction, we acquired control of Adams Street Development and Block 88 Development and began consolidating these entities in November 2004. The purchase price was allocated among the interests acquired based on the relative fair values of their projects.

Loan Guarantees for Unconsolidated Partnerships and Joint Ventures. We have guaranteed two construction loans and three land loans of five unconsolidated joint ventures as of December 31, 2005. Our guarantee on these five loans is limited to $127.3 million on fully funded debt of $130.9 million. At December 31, 2005, we guaranteed $89.9 million of the $93.4 million outstanding on that date. At December 31, 2005, in connection with these guarantees, we have recorded liabilities totaling $2.1 million, which are presented in other liabilities in the accompanying Consolidated Balance Sheet.

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TARRAGON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND JOINT VENTURES (Continued)

As of December 31, 2004, we had guaranteed two mortgages and two construction loans of four unconsolidated joint ventures. Our guarantee on these four loans was limited to $92.5 million on fully funded debt of $194.5 million. At December 31, 2004, we guaranteed $63.3 million of the $152.5 million outstanding on that date. At December 31, 2004, in connection with these guarantees, we had recorded liabilities totaling $392,000, which are presented in other liabilities in the accompanying Consolidated Balance Sheet. All four of these loans were repaid during 2005.

Below are unaudited summarized financial data for Ansonia Apartments and Park Avenue Tarragon individually and combined for our other unconsolidated partnerships and joint ventures that are not individually significant as of and for the periods indicated.

December 31, 2005

	Ansonia Apartments	Park Avenue Tarragon	Other	All Partnerships
Homebuilding inventory	$ —	$ 17,317	$ 182,307	$ 199,624
Real estate	358,895	—	14,097	372,992
Accumulated depreciation	(65,613)	—	(7,573)	(73,186)
Other assets, net	15,687	3,831	16,583	36,101
Notes and interest payable	(420,152)	—	(114,602)	(534,754)
Other liabilities	(5,360)	(5,234)	(16,130)	(26,724)
Partners' capital (deficit)	$ (116,543)	$ 15,914	$ 74,682	$ (25,947)
Our proportionate share of partners' capital (deficit)	$ (100,154)	$ 4,287	$ 52,616	$ (43,251)
Cash distributions in excess of investment	83,416	—	—	83,416
Outside partner's share of undistributed cash	676	—	13,274	13,950
Loss in excess of investment unrecognized	15,452	—	—	15,452
Liability established (reversed) for debt guarantees	—	—	2,070	2,070
Costs associated with investment in joint ventures	610	1,169	5,757	7,536
Investments in and advances to partnerships and joint ventures	$ —	$ 5,456	$ 73,717	$ 79,173
Year Ended December 31, 2005				
Homebuilding sales	$ —	$ 130,440	$ 100,366	$ 230,806
Cost of homebuilding sales	—	(89,873)	(70,986)	(160,859)
Rental revenue	24,583	—	11,571	36,154
Mortgage banking income	—	—	916	916
Property and other operating expenses	(12,655)	—	(5,097)	(17,752)
Interest expense	(25,951)	—	(4,553)	(30,504)
Depreciation expense	(4,112)	—	(1,906)	(6,018)
Income from continuing operations	(18,135)	40,567	30,311	52,743
Discontinued operations				
Loss from operations (1)	—	—	(263)	(263)
Loss on sale of real estate	—	—	(350)	(350)
Net income	(18,135)	40,567	29,698	52,130
Elimination of interest and management fees paid to Tarragon	1,163	132	377	1,672
Net income before interest and management fees paid to Tarragon	$ (16,972)	$ 40,699	$ 30,075	$ 53,802
Equity in income of partnerships and joint ventures:				

Tarragon's share of net income before interest and management fees paid to Tarragon	$ (15,452)	$ 19,600	$ 12,829	$ 16,977
Cash distributions in excess of investment	64,778	—	88	64,866
Loss in excess of investment unrecognized	15,452	—	—	15,452
Equity in income of partnerships and joint ventures	$ 64,778	$ 19,600	$ 12,917	$ 97,295

(1) Revenue presented in discontinued operations was $172,000.

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TARRAGON CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3. INVESTMENTS IN AND ADVANCES TO PARTNERSHIPS AND JOINT VENTURES (Continued)

December 31, 2004

	Ansonia Apartments	Park Avenue Tarragon	Other	All Partnerships
Homebuilding inventory	$ —	$ 89,164	$ 55,624	$ 144,788
Real estate	96,430	—	90,009	186,439
Accumulated depreciation	(18,152)	—	(19,213)	(37,365)
Other assets, net	3,947	2,223	90,389	96,559
Notes and interest payable	(105,107)	(79,334)	(145,843)	(330,284)
Other liabilities	(1,778)	(584)	(16,980)	(19,342)
Partners' capital	$ (24,660)	$ 11,469	$ 53,986	$ 40,795
Our proportionate share of partners' capital	$ (17,648)	$ 6,009	$ 29,566	$ 17,927
Cash distributions in excess of investment	19,793	—	2,206	21,999
Liability established for debt guarantees	—	114	276	390
Advances	(1,778)	(4)	9,540	7,758
Investments in and advances to partnerships and joint ventures	$ 367	$ 6,119	$ 41,588	$ 48,074

Year Ended December 31, 2004

	Ansonia Apartments	Park Avenue Tarragon	Other	All Partnerships
Homebuilding sales	$ —	$ —	$ 95,031	$ 95,031
Cost of homebuilding sales	—	—	(65,681)	(65,681)
Rental revenue	20,791	—	15,073	35,864
Property and other operating expenses	(10,463)	—	(6,749)	(17,212)
Interest expense	(7,289)	—	(5,341)	(12,630)
Depreciation expense	(3,420)	—	(2,676)	(6,096)
Income from continuing operations	(381)	—	29,657	29,276
Discontinued operations				
Loss from operations [1]	—	—	(873)	(873)
Gain on sale of real estate	—	—	2,604	2,604
Net income	(381)	—	31,388	31,007
Elimination of interest and management fees paid to Tarragon	1,046	—	410	1,456
Net income before interest and management fees paid to Tarragon	$ 665	$ —	$ 31,798	$ 32,463
Equity in income of partnerships and joint ventures:				
Tarragon's share of net income before interest and management fees paid to Tarragon	$ 466	$ —	$ 16,410	$ 16,876
Cash distributions in excess of investment	5,871	—	(55)	5,816
Impairment loss	—	—	(1,162)	(1,162)
Equity in income of partnerships and joint ventures	$ 6,337	$ —	$ 15,193	$ 21,530

(1) Revenue presented in discontinued operations was $1.7 million.